THE COST OF PRIVATE MONOPOLY TO PUBLIC AND WAGE-EARNER

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I am particularly glad to speak upon the subject of the cost of living, because it is fundamentally an economic rather than a political subject. I have felt about politics, until recently at all events, very much like the old southern colonel who made a speech quite late in the evening at a banquet of veterans. He told how he had fought, bled and died for his country and lost all he had in the war—save honor. And "when the war was over," he continued, "I came home and went into politics, and lost everything I'd saved in the war." Politics after all is only machinery—a mere means to an end or purpose, and that purpose, in my opinion, is to change economic conditions so that the average man or woman can get along better.

We are living in an age of intense and practical realism. At last society has learned to demand results from power. The time has come when men in public life must give proof to the nation, never so much as now from Missouri, that their effort is to get down to the stark realities of life. And the most real of these realities is the question of the average man's ability to pay for the necessaries of existence—food, fuel, clothing and shelter.

Recently we have taken a renewed interest in social problems. Social workers, economists and even political parties have outlined campaigns of what is termed social and industrial justice. They advocate, for wage-earners, shorter hours of labor, more pay, industrial insurance, old age pensions, safety devices in factories and on railroads, workman's compensation, etc. All of these things we hope will make the lives of wage-earners during the hours of labor more endurable and healthful. We believe that they will make our factories better places to work in, employment safer, and old age easier.

But we must remember that all of these reforms when established will be costly. They will make the production of the necessaries of life more expensive.

If we work men shorter hours and pay them more money; if we provide wage-earners with industrial insurance and pensions, and pass workman's compensation and employers' liability acts, laws to enforce good factory conditions and so on, it will naturally cost more to produce the necessaries of life. However large may be the element of increased efficiency which shorter hours of labor introduces, we know that the result of these measures will be to increase the fixed charges of production. It will be more expensive to make the things which people must buy in order to live.

In other words, if we succeed in accomplishing these changes which social workers, economists and progressive politicians urge, and do not at the same time provide a way to prevent those great industrial combinations and monopolies which we call the trusts from merely shifting this burden of additional cost of production on to the shoulders of the consumer, as they have frequently done in the past, by raising the price of the things that they produce or distribute, we will accomplish little. The wage-earner, though no doubt working under better and safer conditions in the factory, will be no better off when he gets home and becomes a consumer. He may receive higher wages, it is true, but on the other hand he will find that the purchasing power of his wage will remain stationary or decrease. It will be just as hard as ever for the average citizen, whether wage-earner, farmer or business man, to pay his bills. The consuming public will not have been helped, and the trusts will continue to make a killing out of the public by selling the sheer necessaries of life at prices that the public can ill afford to pay.

In order to determine whether our great industrial combinations and monopolies are or are not an economic loss to the public, let us consider, for a moment, a few typical examples. Let us take for instance the case of the Standard Oil Company.

We are perfectly familiar with the type of man who will tell you that the Standard Oil Company has been a blessing to this country; that it has made oil as cheap as spring water, etc., etc. But I do not believe that the Standard Oil Company, or any other of the great industrial trusts, has either used its monopoly in the public's interest or obtained its monopoly legitimately, or through efficiency or natural causes.

Last year the Standard Oil monopoly acknowledged net earnings of about $80,000,000. This year the earnings of the Standard Oil

group will probably be about $100,000,000, or more than 20 per cent on the whole enormous value of the property which it has amassed through monopoly and oppression. Within a year also the Standard Oil monopoly has increased the price of gasoline from 11 to 18 cents a gallon and kerosene from 6 to 8 cents a gallon, and this in spite of general improvement of business and enlarged earnings.

Now if the Standard Oil Company instead of putting up the prices of its products had been obliged to reduce them on account of competition so that its net earnings for a year were $50,000,000 instead of $100,000,000, its stockholders would still be well rewarded for their acumen in backing Rockefeller's business ability, and every household in the country would be gaining its share of this $50,000,000 saving. The Standard Oil monopoly alone is costing the people at least $50,000,000 a year in excessive profits. Indeed it is probable that under competition oils and gasoline would be sold at prices which would save the people much more than $50,000,000 annually, inasmuch as the chief effort of the Standard Oil Company has been to keep down rather than to increase the output of crude oil, in order to control the market more effectively.

Even if we concede, for the sake of argument, that the products of such great industrial combinations are cheaper today than they would be if these combinations had never been formed, although I believe the opposite is true, the case against monopoly is weakened very little. The fact remains that through monopoly the Standard Oil Company, which we take merely as a typical example, does actually, through its position of immunity from the laws of competition, impose an annual tax of more than $50,000,000 upon the public in excessive profits over and above a fair return upon capital.

The American Sugar Refining Company, a powerful and successful industrial combination, which during the recent government suit was found guilty of even the more petty forms of thievery, such as tampering with custom house scales and tapping city water pipes, reported a year ago earnings on its common stock of 24 per cent. Since then, however, competition chiefly with the Arbuckle and Federal Companies has materially reduced dividends and prices.

On June 14, 1899, which was long before trust magnates had grown wary through daily encounters with Congressional inquisitors, Mr. Henry O. Havemeyer testified before The Industrial Commission, created by an act of the fifty-sixth Congress. With what

would now seem almost childlike ingenuousness, he told the secret of the Sugar Trust's success.

Question (by Mr. Jenks): Now, can you tell what special advantages—if you can give this in some detail I shall be glad—come from this organization, and in what way you make your savings?

A. The greatest advantage is in working the refinery full and uninterruptedly. Of course, if you have a capacity of 140,000,000 and can only melt 100,000,000 somebody has got to cut down materially. The moment you cut down you increase the cost; by buying up all the refineries, burning them up, and concentrating the meltings in four refineries and working them full, you work at a minimum cost. That enables us to pay a dividend on the common stock.

Q. So the chief advantage in the combination was in concentrating the production and destroying the poor refineries?

A. Precisely.

Mr. Havemeyer then went on to say in answer to Mr. Jenk's question whether he knew of any other advantages of large combination other than those which he had stated, that there were no other advantages.

The eleventh annual report of the United States Steel Corporation, another typical industrial trust, dated March 13, 1913, shows net earnings of $118,000,000 as against $112,000,000 for the previous year. It paid last year $25,400,000 in dividends on its common stock which may now have some book value but which was water at the time it was issued. It has earned since its formation an average of above 12½ per cent on capital invested. In the last ten years the United States Steel Corporation has accumulated or disbursed to its stockholders over $700,000,000 in excess of a fair return upon capital.

Mr. Carnegie has explained publicly and at length that the success of his company which became the backbone of the Steel Corporation was largely caused by a method of procedure similar to that of the Sugar Trust, to wit, buying up competitive mills and promptly closing them down. The Steel Trust itself gained its monopoly and secured control of prices chiefly by acquiring other plants and ore deposits at prices so fabulous that they could only have been paid in anticipation of huge profits due to freedom from competition. In his testimony before the Stanley Committee as late as January 11 of last year, Mr. Carnegie expressed forcibly his disbelief in the efficiency of enormous industrial combination as follows:

Mr. Carnegie: I do not believe that corporations can manage a business like partners. When we were partners I felt we could run around corporations. . . . .

It is the same thing with a man who owns the land he tills. Take Europe today; take Britain; the farmers lease the land. Go to Iowa, where I went, when I was a young man, on a holiday, and there I saw the homes of triumphant democracy, every little bit of ground owned by a man and tilled by him. Great Caesar! What can a big farm do? Look at the failures of those enormous farms they have there. They were given up. They commenced to do farming on a large scale. The man that owns the ground he tills is the man equal of any other in this land of triumphant democracy, and I have loved Iowa ever since I went there and saw what it meant.

It is the same in manufacturing. The best corporations that ever were formed will be beaten by such an organization as we had in the Carnegie Steel Company . . . .

Mr. Beall: In your testimony before the Ways and Means Committee two years ago I find this statement:

"If you want to keep this country ahead in steel, you can not depend upon great combinations. In the nature of the case they become conservative."

Mr. Carnegie: Quite true—great corporations.

If the United States Steel Corporation has achieved the very remarkable feat of earning $700,000,000 in the last ten years over and above a liberal return upon capital, it has not been through efficiency or economical service to the public, but through monopoly's power to crush competition and deal with the public with an iron hand. Moreover, this $700,000,000 has not been gathered from the empty air. It has come, just as all excessive earnings made by trusts have come, out of the consumer's pocket. While steel rails are not a necessity of every day life in the same sense as kerosene, or coal, or oil, or beef, they are undoubtedly a necessity of civilization, and the price of rails bears as real though a less visible relation to the average man's pocket as the price of oil, beef, or bread. If railroads must buy rails at monopoly prices, the public must be charged just so much more in fares and freight rates to make up for it.

It is a simple economic law that when a monopoly increases or holds up the price of any necessary of civilization, whether food, fuel, structural steel, or steel rails, the public suffers and the cost of living is increased or at least held up at an unwarrantably high price. The consumer ultimately pays the bill.

We might cite many examples of industrial trusts that have been built up by methods like those mentioned above, and that have used their power for the sole purpose of exploiting the public and increasing the profits of their stockholders, among which stand out most conspicuously the American Tobacco Company, which the year

before its dissolution earned over 64 per cent on its common stock, and whose component parts have since then done an equally prosperous business; the United Shoe Machinery Company; the National Cash Register Company and the International Harvester Company.

An industrial trust might be defined as a combination maintained for the purpose of increasing profits at the public's expense, for investigation after investigation has amply proven that in almost every instance the trust's concentration of industrial power and elimination of competition are established and maintained by extravagant or vicious methods and for the benefit of the trust itself or its stockholders rather than for the benefit of the general public. Good service to the public, efficiency, and economy of administration are rarely found to be the causes or the results of successful industrial combination on a great scale. Indeed the very term monopoly implies a condition where neither efficient management nor good service to the public is a business necessity to a company.

According to the report submitted on the third of last March to President Taft by Mr. Conant, commissioner of corporations, the net earnings of the International Harvester Company from 1909 to 1911 have been at about the same rate as those of the Steel Corporation, that is to say about $12\frac{1}{2}$ per cent. But it is not shown anywhere that the Harvester Trust's successful financial record and the maintenance of its monopolistic position are due to efficiency or good service. In regard to this Mr. Conant says:

> The chief features of the International Harvester Company's operations are the substantial maintenance of its monopolistic position in the harvesting-machine business, originally acquired through combination, and its extensions on a large scale into new lines of the farm-machinery industry. The company has been able to do this in part through the acquisition of some of its chief rivals in the harvesting machine business; in part by using its monopolistic advantage in these harvesting-machine lines to force the sale of its new lines; in part by certain objectionable competitive methods; and especially through its exceptional command of capital (the backing of the Morgan interests) itself the result of combination.

Monopoly's freedom from the laws of competition unquestionably exacts a heavy tribute from the pocket of the consumer—a tribute measured annually in the hundreds of millions of dollars which the consumer pays to the industrial trusts over a generous return on capital. But monopoly has also placed an intolerable and unneces-

sary burden on the shoulders of its vast multitude of wage-earning employees. In spite of its enormous earnings, in spite of its great financial power and the large fortunes which it has built up for its directors and principal stockholders, monopoly again and again makes a confession of either inefficiency or bad faith and indicts its own system of destruction of competition by publicly professing inability to pay a living wage to its employees, and by acknowledging its inadequacy to deal in a progressive or civilized spirit with the problems of labor which the rest of the industrial world is obliged to meet.

Recently under the government's threat of dissolution, and owing to the hot fire of public criticism which the disclosures in the Sage Foundation publications have focused on the United States Steel Corporation, its officers have been engaged in organizing an extensive campaign of justification in the eyes of the public. For instance, in January the first numbers of two illustrated magazines called respectively the *Bulletin of Safety, Relief, Sanitation and Welfare* and the *Monthly Bulletin of the American Iron and Steel Institute* appeared under the direction of the officers and directors of the Steel Corporation. The March number of the latter, from which I will quote, was recently sent to me by some unknown friend. It is a highly colored and extensively illustrated exposition of the Steel Corporation's efforts at encouraging gardening among its employees by donating prizes ranging from $5 to $10 and by setting aside vacant lots for gardening purposes. The Steel Corporation has retained no less a person than Dr. Thomas Darlington to become secretary of the welfare committee of the American Iron and Steel Institute and as an editor of the *Monthly Bulletin*. Dr. Darlington's article in the March number seems to show that the life of a Steel Corporation employee and his family is little short of the millennium; that it is a perfumed existence spent chiefly in beautiful gardens, surrounded by flowers, fountains and the lilting of songbirds. Dr. Darlington says:

> This is the Easter season. The first Easter was in a garden. This brings the thought that a garden is a place of resurrection, a place of birth, a place of beautiful things of nature. Spring is here. Now is again the time to plant. The words of Shelley come to us:
>
> And the Spring arose on the garden fair,
> Like the Spirit of Love felt everywhere;
> And each flower and herb on earth's dark breast,
> Rose from the dreams of its wint'ry rest.

So may we, working the garden of humanity, sow no other seeds but love, and thus restore on earth that paradise once lost. . . . .

The pictures of the workmen's gardens shown in this issue of the Bulletin tell a story that would be difficult to put into words.

Last summer, it was my privilege to visit many of these attractive gardens and to become acquainted with the owners. Among the homes visited was that of a little Italian girl, Josephine Petno, at Dearth. Her picture appears on page 86, standing beside an oven in the yard, with some freshly baked loaves of bread. Taking me by the hand, Josephine led me around the garden, her small brother clinging to her dress. She urged me to admire and smell the flowers separately. She told me the names of the different plants and flowers, and gave me a sprig of sweet-smelling herb, the seed of which she said her mother had brought from Italy. We had an animated conversation, in which she showed great enthusiasm over the garden. How her black eyes did sparkle! She had obtained one of the prizes; and, with the consent of the family, she had been given the money for herself. It seemed to her a fortune. Many were the things she told me she intended to purchase with it. I was impressed by her unselfishness. In her plans the money was all to be spent in buying things for the younger children.

It was a pleasure to witness her aesthetic joy as she viewed the flowers, and her still higher joy as she thought of what the prize money would do for the family. . . . .

Gardens reduce the cost of living. The products of the gardens save in the expense for food. And many of those who make gardens have a surplus to be sold.

Investigation shows that many of the people eat too large a proportion of meat. . . . .

In making gardens, the members of the family are brought out into the open air and sunshine. This is particularly important to those who work in mines and in mills.

Gardens promote morality. The man who has learned to take pride in his garden hurries home from his work, spending little time in loitering and none in the saloon. The garden thus tends to reduce alcoholism. The man's standing in the community is thus enhanced; and, what is even better, his own self-repect is promoted. . . . .

Who cannot recall his childhood home, with its tender associations and fond memories, its sunshine and its shadow? We think not of the money value of what it contained. Perhaps it was humble and poorly furnished. But to us it was pretty and comfortable. Above all it contained mother.

"Be it ever so humble, there's no place like home."

Oh, cottage homes, humble and lowly,
  The heart in its weariness turns
From the world, unillumed and unholy,
  To the hearths where your modest fire burns.

The soul that the fierce city hardens,
And binds with a steel-riven chain,
Grows soft in the scent of your gardens,
And bursts into freedom again.

Then follow a quantity of illustrations of more gardens of steel workers; then photographs of and tributes to the corporation's most faithful and energetic officers, and finally, at the end of this astonishing publication, a poem which is designed to fill the heart of the public with a lively appreciation of the sweet paternal attitude which our greatest trust harbors toward its army of dependents.

If you hear a prayer that moves you
By its humble, pleading tone,
Join it. Do not let the seeker
Bow before his God alone.
Why should not your brother share
The strength of "two or three" in prayer?

If you see the hot tears falling
From a brother's weeping eyes,
Share them; and by kindly sharing
Own your kinship in the skies.
Why should anyone be glad
When a brother's heart is sad?

If your work is made more easy
By a friendly helping hand,
Say so. Speak out brave and truly
Ere the darkness veil the land.
Should a brother workman dear
Falter for a word of cheer?

What a lovely picture Dr. Darlington has drawn! The joyous steel worker bounding home after his day of healthful occupation (a mere twelve hour shift) and plunging into the mental and physical relaxation of gardening among bowers of posies. Does not this suggest the ideal plan for a vacation for the tired business man, lawyer or politician? Why go fishing? Why go to Europe or to the Maine woods? Rather enlist as a steel worker and live a life of health and beauty amid the flowers watched over by that kindly corporate care which will not let "a brother workman dear falter for a word of cheer."

Of course, I do not wish to underestimate the importance of gardens or detract from any credit that is due the Steel Corporation

for offering prizes for the best gardens kept by its workmen. But as a matter of fact workmen of the steel corporation do not have gardens, that is to say, the average workmen do not. In some country localities it is true that a small proportion of the families of the better paid employees are able to have back yard vegetable patches, but the vast majority of the Steel Corporation's people live in conditions very different from those which Dr. Darlington portrays in the March number of the Corporation's publicity organ.

On Friday, February 9, 1912, Miss Margaret F. Byington, well known as a writer on social conditions, and incidentally as the expert of the Sage Foundation, testified before the Stanley Committee as to her investigations in Homestead as a member of the staff of the Pittsburgh Survey. "My effort," said she, "was to make a study of the actual cost of living and of the home conditions of the steel laborers, not simply the laborer, but all the men employed in the steel industry." She goes on to explain that she selected the town of Homestead as a typical community. She continues:

I got 90 families to keep for me a detailed account of all their expenditures for a period of from four to eight weeks; so that we might have some definite figures, not as to a theory of how much it probably costs to live in Homestead, but figures showing what actual households had to spend during that given period.

I also visited each of these families every week, so that I had a fairly intimate knowledge of not simply what they spent, but what they got for the money that they did spend.

Mr. Reed: What class of families were these?

Miss Byington: They covered pretty much the whole range of the workers in the industry; that is, I had a good many Slav laborers, some colored families, quite a number of the Scotch-Irish, Welsh, and German, the older immigrants, and a fairly large group of the Americans, who were the better paid men. So that included both the main groups of nationality, and the wages of the laborers who were getting less than $10, up to the men who are making $25 a week.

From the budgets of these four groups we drew some averages, showing what the general expenditure in each group was. Shall I read those figures, Mr. Chairman?

The Chairman: Yes.

Miss Byington: I took at the start the families spending less than $12 a week, which is practically the laborers' group. They were then getting from $9.90 to about $12, depending on whether they worked 6 or 7 days, and 10 or 12 hours a day, but all of the labor group came under $12.

The figures, as I found them, for the group, showed that they spend $1.88 a week, on an average, for rent. That means, to translate it into terms of what they got, two rooms in an insanitary court.

Most of these laborers live in the ward that is nearest to the mill. The houses in that section are built in brick blocks of three or four houses to the block, one row in the alley, and one in the street, with a small brick-paved court in between.

There is no running water in those houses. Sometimes from 5 to 20 families have to use the one hydrant which is out in this court. There are no indoor toilets. There is an unflushed vault in the back yard, or in this same open court which is only flushed by waste water which the families pour out in the court.

Of course, in winter it is not so impossible, but in summer the sanitary conditions become pretty intolerable. As a result I found that the death rate in that ward doubled the death rate in the wards on the hill where the better-paid men lived, for I found the exact birth and death rates, and I found that for every 3 children born in Homestead in that year 1 died before it was 2 years old.[1]

Of course, that situation is complicated in part by the overcrowding within the rooms. As a matter of fact, owing to the low wage and to the number of single men who are employed in the mill, most of these families take lodgers.

I may use as an illustration one family where I visited, where there was a man, his wife, and two small children living in two rooms in one of these courts. The bedroom upstairs was used by the men alternately, the man himself being on the day shift, and the two boarders on the night shift. So that they used the bedroom in the daytime and the family used it at night. It is obvious there are some moral dangers as well as physical dangers attendant on this kind of family living. And yet, as you can see, $1.88 a week does not provide anything better.

The Chairman: For what?

Miss Byington: For rent. It does not make it possible to get anything better than that, if anyone is to have anything left for the rest of the living expenses.

The food expenditure of these families making less than $12 a week was $4.16 a week for the family.

A scientific estimate has been made by one of the professors at Yale that the most thrifty housekeeper can provide food for an adult man for 22 cents a day.

The Chairman: That is, wholesome food?

Miss Byington: Wholesome food, such as would maintain physical efficiency. This $4.16 for a family of man and wife and three children would pro-

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[1] Later, referring to laborers getting $13 per week, the chairman, Mr. Stanley, asked:

"Can they afford on that wage to buy milk at the price at which it is sold at Homestead?

Miss Byington: They do not buy it. Of course, they can not afford to get milk that is good. They pay mostly 5 cents a quart, which is milk that is not drinkable." (This may have some relation to the death rate among children of which Miss Byington speaks.)

vide 18 cents a day, 4 cents a day less than what is recognized to provide the necessary physical food.

As a matter of fact, that 22 cents means that you must be an exceptionally thrifty housekeeper and you must buy food only that has nourishing value. The Slavic housewives are not always thrifty, but even the best of us occasionally would like something to eat that tastes good, even though it may not be nourishing.

So 22 cents means very rigid economy for the average household, and these families live for 4 cents a day below that. . . . .

The Chairman: You have described the startling sanitary conditions at Homestead, especially among the children. Did you notice in your investigation in this region the physical appearance of the children of these laborers, whether they were ruddy and well nourished, what opportunities did they have for schooling and exercise? I would like you to tell the committee what you noticed.

Miss Byington: The babies are pretty white. There is not a great deal of fresh air and sunlight down in that second ward. The mill property comes more or less like that (indicating) around two sides of the second ward. Of course, the smoke is very heavy, and it is a pretty depressing atmosphere there. I stayed there six weeks and had to go to a sanitarium, so I speak feelingly on the subject of the effect it has on one's physical well-being to live in that smoke-laden atmosphere. . . . .

The Chairman: You have carefully analyzed these conditions; you have taken this $10 a week wage that is paid for common labor, whether done by an American or done by a Slav or by a German or a Pole, or what not, and you have generalized it from the expenditures of 90 families, each trying to get the most out of his money.

Now, from your experience, your practical experience, studying the accounts and visiting the homes, inspecting the homes, is it possible for an American, much vaunted as he is—the best praised and the poorest paid man in the world is the American laborer; I mean unskilled—is it possible for an American laborer, or any other laborer, on that wage, to have the comforts of life, and to have sufficient nourishing food and clothing that would protect his family from the elements, by any degree of economy, and by denying himself from pleasure and luxury?

Miss Byington: No.

The Chairman: That is what I want to get at.

Mr. Reed: Is that condition peculiar to the steel industry, or do you find it in all the other laborers, by whomever employed?

Miss Byington: I should say that no man could ever do it on $10 a week, in so far as that is a laborer's wage.

The Chairman: In the city of Pittsburgh?

Miss Byington: In the city of Pittsburgh. My figures, taken from the bulletin of the Department of Labor, comparing the cost in different cities, showed that the Pittsburgh prices were higher than those of any of the big cities of the country, higher than New York and materially higher than Chicago. . . . .

Miss Byington: It would be the width of four of these small rooms; that is, there are four houses built close together, and the court is about square.

Mr. Young: Is this court entirely surrounded by houses?

Miss Byington: Yes, There are four houses here (indicating) four houses here (indicating) and a court in the middle. Then there would be a fence.

Mr. Young: At the ends?

Miss Byington: At the ends. Then you would have four more houses, another set of eight.

Mr. Young: These courts are square, octagonal, so that there are four sides of the court?

Miss Byington: Yes. There are houses on two sides and fences on the other two. Of course one of them I have made a special study of. There were houses on three sides, and a stable on the fourth.

Mr. Beall: In addition to being used as a playground for children, and for toilet accommodations, what other uses are made o those courts?

Miss Byington: Most of the families do their washing out there; they are very apt to when it is warm enough. It is everybody's back yard, that is all. And you use it just as you would use any back yard, except there are 16 families to use it instead of each having its own.

In regard to the relation of wages and of the cost of living among the steel workers, Mr. John A. Fitch, who is perhaps the highest authority on labor conditions in the steel industry, gives us additional evidence. He testified as follows on the second of last February before the Stanley Committee:

In Chicago and Pittsburgh the associated charities have recently made careful studies of the cost of living and have arrived at conclusions as to the income necessary in their respective cities to provide a bare subsistence for a workingman's family including husband, wife, and three children. They put the figure at $630 in Chicago and at $758 in Pittsburgh. If a common laborer works 12 hours a day 365 days a year in the Chicago mill, he will earn about a hundred dollars more than the minimum estimate. If he takes his Sundays off and works 12 hours a day for 313 days, he will just about make it. But if the period of employment drops to 300 days, which is better than the steel companies have been doing for some time, his income will not reach this minimum standard of decency, even if he works 12 hours a day. And if he works only 10 hours a day he will not reach this minimum even by working 365 days in the year. In Pittsburgh if a man works 12 hours a day for 365 days in the year for the Steel Corporation, at 17½ cents an hour, his income will be $766.50, which is a dollar and a half less than the minimum standard.

Since the time referred to in the testimony of Miss Byington and Mr. Fitch some advances in wages have taken place, but it is doubtful whether these advances more than counterbalance the increased cost of living.

The Steel Corporation, however, is by no means alone among industrial combinations as to its underpayment of employees and its bad physical conditions of labor. In fact, it is in some particulars distinctly better.

Last month a legislative investigation disclosed the fact that labor conditions in the Harvester Trust are as bad or worse than in the Steel Corporation. We find by reference to the report of the recent Wagner Committee that a large part of the women employed by the Harvester Trust in New York state receive a wage of from $5 to $7 a week; that this wage includes the compensation of women who work all night and that sanitary conditions are extraordinarily bad. A director of the Harvester Trust, in answer to the charges of the Wagner Committee, was recently reported as saying: "This night work has been rendered necessary largely because of the government's perfectly unreasonable attitude toward large corporations which has made it impossible for managers of large concerns to know whether they are on foot or on horseback; whether they could extend their plans to keep up with increasing demands or not."

Undoubtedly the Steel Corporation is leading the steel industry in certain kinds of philanthropic work among its employees. Its safety appliances are now modern. Until 1907 five hundred steel workers were killed annually by accidents in Allegheny County alone. Improved methods have reduced this figure and incidentally the expense to the corporation of settlements and lawsuits. Until 1907 (the last year in which I could obtain statistics on this point) the average amount recovered by the families of these accident victims, through voluntary settlement or law suits was $534, or less than three-fourths the average wage of the dead man for one year. I understand that now the Steel Corporation has become more generous in its policy toward widows and orphans. But the three things which its employees want and need and which the Steel Corporation is by no means willing to grant, are a living wage, decent hours of labor and a reasonable recognition of the rights of labor.

The report of the Steel Corporation dated March 13, 1913, shows that the Steel Corporation employs 221,000 men; and that a quarter of this enormous army of wage earners work 12 hours a day at what is undoubtedly under a living family wage. The same report, as I have pointed out, quotes the Steel Corporation's net earnings for the last year as very gratifying—$118,000,000 as against $112,000,000 for the

year before. $25,400,000 of this sum was paid as a dividend on common stock. The same report points with pride to some worthy but comparatively inexpensive welfare work and to an increase of 12½ cents a day in the wages of employees who receive less than $12 per week. But the eleventh annual report also relates that the Finance Committee recently appointed a committee to consider the question of reducing the twelve hour day for some 50,000 of its employees, and that this committee, after careful consideration, has come to the conclusion that the Steel Corporation cannot afford to take so revolutionary a step. The language of the report is in part as follows:

> On May 28, 1912, there was sent to stockholders a copy of the report of the committee of stockholders appointed at the annual meeting held on April 17, 1911, to investigate conditions of labor in the mills. In the circular of the chairman, accompanying the same, stockholders were advised that in response to the recommendation of the committee mentioned, the finance committee of the Corporation had appointed a committee consisting of the chairman, Mr. Roberts, and the president of the Corporation to consider what if any, arrangement with a view to reducing the twelve-hour day, in so far as it now exists among the employees of the subsidiary companies, is reasonable, just and practicable. . . . . As the stockholders' committee pointed out, the twelve-hour day has, by its general acceptance and practice over a considerable period of years, become firmly intrenched, and any sudden or arbitrary change would involve a revolution in mill operations. Nor are we sure that it would be possible for any one employer, or any number of employers, to inaugurate a shorter hour system, unless a similar policy should be adopted by all employers engaged in the same industry.

But the sincerity of the Steel Corporation's desire to reduce the hours of labor of its twelve-hour men is open to suspicion. Not long after the publication of this report the Steel Corporation was urged to confer with the independent steel companies, with a view to abolishing the twelve-hour shift and adopting in its place the eight-hour shift, which prevails in the steel industry practically throughout Europe. A few weeks ago the Steel Corporation refused to confer.

The Steel Corporation has been able to set aside liberal sums for depreciation and improvements. It has been able to pay $25,400,000 a year on its common stock; able to increase its annual net earnings from $112,000,000 to $118,000,000 in the last year and it has been able in the last ten years to earn $700,000,000 in excess of a reasonable return on capital, but it pleads inability to pay its dependents a living wage, nor can it afford to work fifty thousand of its men for less than

seventy-two hours a week (the average hours of labor of the same grade of employees in England being 55.2 hours per week). Surely this may be described in the words of Dr. Darlington's sunshine article as "working the garden of humanity."

But those who defend the policy of our great employers of labor maintain that their treatment of employees does not constitute industrial slavery, inasmuch as no one is obliged to work for any corporation unless he wants to. He is not branded on the forehead if he does not accept the employer's terms, as laborers in the reign of England's Stuart kings were branded. "If he does not want to work twelve hours a day, or twelve hours a night," argues the apologist, "and if he is unsatisfied with an insufficient wage, he can go elsewhere." But this is exactly what he cannot do. The condition of the labor market, the necessity for labor—for food, shelter and clothing for themselves and their children—drive men and women to accept whatever terms are offered them with an argument as powerful, if less dramatic, than the brands and imprisonment of bygone times. As Norman Hapgood has pointed out in his admirable book *Industry and Progress*, the powerful employer can today obtain labor in the United States at the lowest wages on which men and women are able to escape starvation.

The Steel Corporation, through its immense power, its arrangement of bonuses and pensions contingent upon non-resistance to the terms of labor and wages which the Corporation dictates, its highly organized system of espionage, and other devices, has succeeded in stamping out labor unionism in its plants and in preventing its employees from making any effective resistance against the destructive conditions under which they must work. Mr. Fitch in his testimony before the Stanley Committee says:

> The so-called profit-sharing plan of the Steel Corporation is also designed to limit the independence of the workmen. It is not a profit-sharing plan, properly speaking, because it extends only to those employees who buy stock. Such employees receive a bonus each year for five years of $5 for each share of stock. They also are to receive an extra dividend at the end of five years made up of the bonus fund which has accumulated owing to employees failing to pay for their stock or leaving the employ of the company. But the rules of this profit-sharing plan read that employee stockholders may receive these extra dividends and bonuses not as a matter of right but at the pleasure of the corporation. And they are to be paid only to those men who have "shown a proper interest in its welfare and progress. . . . . ."

But the power of the steel companies is most unrestricted and most effective over the men who work in the mills. In order to understand this fully one must realize what the policies of the Steel Corporation are, and have been for years, with respect to the freedom of action on the part of their employees. It was brought out before your committee some time ago that as early as 1901 the executive committee of the Steel Corporation went on record as opposed to organized labor. Since that time a consistent fight has been made by the Steel Corporation against all the unions to which any of its employees have belonged. . . . .

The methods employed by the United States Steel Corporation to keep its plants non-union are many. First, there is the secret-service department, of which George Preston, of the Carnegie Steel Company, is the head. Just how this system operates probably no one but Mr. Preston could tell. That its operation is effective, however, is testified to by workmen and union officials. No meeting can be held to discuss conditions of employment and ways of bettering them without the Steel Corporation being furnished with a list of names of those who attended. As a result of this system, the workmen in the steel company mills are suspicious not only of strangers but of friends. No man knows but that his next-door neighbor is a spy, and so these men hesitate to speak their minds openly and fear to act as independent citizens.

It should be noted that this policy is more than a non-union policy; that it is more than an objection on the part of the company to that sort of activity which tends to hamper business; it is a denial of the right of an employee to any voice regarding the conditions of his employment. It is not so much unionism that is under the ban as it is freedom of action. . . . . Within two years at Gary men have been discharged in large numbers, not for making unjust demands, not for trying to interfere in the business of the steel company, but because they attempted to form some sort of organization. So far as the company had information, and so far as any expression from the men was concerned, the organization that the men were attempting might have been for social purposes only. But the company took no chances. It discharged the men. . . . .

I do not wish to be misunderstood in my attitude in regard to the matters which I have been discussing. The steel business is full of high-principled men. There are men in it also who are not so high principled. Yet I have no doubt a great many of them honestly believe that their policies are right. In spite of the fact that there are such men, however, I wish to reiterate my statement that the Steel Corporation wields a power such as to make it a menace to the well-being and peace of the people. I have talked with many of their employees, and I know that their attitude toward labor is creating bitterness in all parts of the country. The resentment that men feel over having their liberties and rights interfered with in the manner that I have described is keen and growing.

In regard to this same subject, Mr. Louis D. Brandeis before the Stanley Committee said:

I say these are conditions which have driven out American labor; and the most important thing I want to impress upon you in regard to that is not merely the long hours or the low wages, but it is that it has been and is attended with conditions of repression the like of which you can not find, I believe, this side of Russia. These men are, or believe themselves to be, under a condition of espionage, subject to discharge if they undertake to discuss in any way with one another their grievances, their miserable conditions, with a view to forming a union or remedying their conditions.

And again speaking of the much advertised system of pensions of the Steel Corporation, Mr. Brandeis says in his article "Our New Peonage" published in *The Independent* on July 25, 1912:

Thus, the pension plan of the United States Steel Corporation, which took effect January 1, 1911, provides pensions only for those who have been in the employ of the company at least twenty years, and remain until the time for retirement; but no one has the right to remain in the employ:

"Article 26. Neither the creation of this fund nor any other action at any time taken by a corporation included under the provisions of the fund, or by the board of trustees, shall give to any employee the right to be retained in the service, and all employees remain subject to discharge to the same extent as if this pension fund had never been created."

Even if the worker has remained in the employ until the time fixed for retirement, and has served faithfully, he has no right to a pension:

"Article 24. The pension plan is a purely voluntary provision for the benefit of employees superannuated or totally incapacitated after long and faithful service and constitutes no contract and confers no legal rights upon any employee."

And a board of trustees, in whose selection the workers have no voice, and on which they have no representation, may refuse to grant them a pension or may terminate it after it has been granted for what they, in their discretion, deem adequate cause:

"Article 22. Pensions may be withheld or terminated in case of misconduct on the part of the beneficiaries or for other cause sufficient in the judgment of the board of trustees to warrant such action. . . . ."

Features in a pension system like those quoted above tend to make the wage earner compliant. He can be more readily relied upon to prove "loyal" and not to "go out" even if others strike for higher wages and better working conditions. The "continuous employment feature" of the pension system tends thus to rivet the wage earner to his employer, and the provision by which the allowance of a pension is made discretionary further insures "loyalty" of

the wage earner during his employment. An employee of the United States Steel Corporation advancing in years might well be deterred from hazarding the prospect of a pension by trade union activity, or even by joining a union. . . . .

A pension system with such features must either prove a delusive protection or operate as a bribe to induce the wage earner to submit to a new form of subjection to the corporation. A frank employer recently said: "By providing so liberal a pension we have bought from the employee the right to leave us."

While it is true that the Steel Corporation, like many other great corporations, overworks its employees and fails to pay them a living wage; while it is also true that, through its peculiar attitude toward labor organizations, its espionage, its pensions and bonuses, its scientific blacklisting and its policy of employing illiterate and comparatively helpless immigrants, for whom it advertises in the newspapers, it has established a practically unparalleled industrial peonage in its plants; nevertheless the chief and particular indictment against the Steel Corporation is found elsewhere. It is in the fact that it uses an immense financial power and retains a resourceful and ever active publicity machine to convince the public that underpaying and overworking men and denying them the ordinary rights of freedom are the necessary and humane accompaniments of economic progress.

I have mentioned the labor conditions in large monopolistic combinations with a particular purpose, which is to suggest that, whereas monopoly oppresses the general public and increases the cost of living by artificial control of prices, it grinds down its own huge army of wage-earners by a double process. Great profits made by crushing competition or by combination agreements bear upon the general consumer in just one way—the increased cost of commodities. But they bear upon employees of the trust in two ways. First, just as in the case of the general public, they raise or keep up unduly the price of commodities that the wage-earner must buy, and in the second place, by holding down wages, they keep down the working man's purchasing power, and incidentally they often, as in the case of the Steel and Harvester trusts, reduce the workingman to a condition suggesting slavery, where he is afraid to organize or fight to decrease the exhausting twelve hour shift or better the starvation wage upon which he must live himself and care for his wife and children.

Apparently the directors of these great corporations, many of whom are unquestionably honorable and patriotic men, are unable to

appreciate the terrific responsibility with which they are burdening themselves when they refuse to admit the accepted doctrines that a living wage is the first lien upon the profits of labor and that all men, whether laborers or capitalists, should have a voice in fixing the conditions under which they themselves and those dependent upon them must live. It is no exaggeration to say that our great corporations are now producing a subject people—devitalized by excessive toil and insufficient wages, and discouraged by the denial of the most elementary rights of freedom. How long this subjection will last, whether this system of industrial servitude will go on quietly or die gently, or whether the wind has been sown to reap the whirlwind is not yet known.

Two methods of dealing with monopoly are suggested. One, an industrial commission to regulate prices of the necessaries of life, and the other, war upon monopoly through a clear codification of the rules of the industrial game, by strengthening the Sherman act and defining in it the things that corporations may and may not do.

The regulation of the prices of the necessaries of life by a commission, I believe, is an impossibility. I believe that Mr. Clark and every member of the Interstate Commerce Commission knows this; knows that even in the comparatively simple work of regulating railroad rates the efficiency of commission regulation has been taxed to its utmost limit—and knows in addition that in spite of the commission's ability and industry, many of its decisions will result in an accumulation of piled up lawsuits which will clog the calendar of the Supreme Court for decades to come. Every lawyer knows from his own experience or observation that even in cases of municipal gas rate regulation, testimony is often recorded in tens of thousands of pages, never to be read by the commissioners, and never to do anybody any good except the lawyers who introduced it and the stenographers who transcribed it. Experience has shown us that by the time railroad or gas rate regulation cases are decided upon appeal, the conditions which existed at the time of the beginning of the hearings are usually changed to such an extent as to render the decision merely ground for further litigation. There is little doubt in my mind that to regulate the prices of the necessaries of life which American people use, by a commission, is a matter of such infinite and ever-changing complication as to be beyond hope of success. It would leave the trust problem in a more mixed-up and hopeless condition

than it is today. It would effectually prevent any real curbing of the trust's extortions. It would result in continued oppression of the public, while the people and the trusts were fighting it out through endless investigations and rhythmic successions of suits and countersuits. And it is the one best bet that the trusts, with their highly efficient lawyers and highly perfected methods of delay will come off first in this struggle.

Incidentally, the trusts see this quite clearly. And it is for exactly this reason that every trust magnate from Judge Gary down is crying down the Sherman act, and shouting, fighting, and bleeding for commission "regulation of monopoly."

It has been often shown in the past that the ordinary result of commission regulation has been control by corporations of the body that is supposed to control them. The commission is likely to become the safeguard of the corporations rather than of the public. In addition to this commission regulation, instead of taking the corporation out of politics, will make it more advisable—more necessary in fact, from the corporation's point of view—for the corporation to stay in politics and control politics.

If we are against unrestrained monopoly for the trusts, and if we realize, and the public is realizing it more and more, that "regulated monopoly" is but another name for indefinite extension of the trust's power to exploit the public, there remains but one way to deal with the trust question. This is to strengthen and enforce the Sherman act and to have an industrial commission simply as an executive arm—a means of obtaining and making public information about the trusts and of seeing to it that they obey the law.

It is true that the enforcement of the Sherman act in its present form has been a failure and to a certain extent a farce in the case of the Standard Oil and American Tobacco dissolutions. But still it is the only law on the statute books today that gives the people protection against the trusts, and even in its present form, although practically powerless to dissolve existing monopolies, it is a powerful deterrent against the formation of new ones. It is not many years ago since Mr. Havemeyer and Mr. Carnegie bought competing sugar and steel plants, burned them or shut them down and proceeded to make enormous profits out of the public by the simple process not of restraining, but of destroying competing industries. This would no doubt be done today if it were not for the invocation of the long neglected Sherman act.

If we are not for strengthening the Sherman act, we are not for any thus far discovered solution of the trust problem whatever. The Sherman act must be retained on the statute books, strengthened, made effective against monopoly, and rendered definitive in regard to what may and may not be done in the competitive struggle of our industrial producers. This is the first step in the solution of that branch of the cost of living problem which relates to the trusts.

But the next step, in my opinion, though less immediate is equally important. It is for the government to take over, own and operate the railroads. Sherman act or no Sherman act, there will never be complete industrial freedom in this country as long as the railroads and the great industrial producers are controlled by the same group of people. To allow production and the distribution of the commodity produced to be in the hands of the same interests, who in all probability will combine in order to crush competition, fix prices, and exploit the public, is an evident menace to the American consumer. Take a pertinent example. Mr. Gary, the president of the board of directors of the Steel Corporation, at his famous Gary dinners, for years suggested annually to the independent operators that the price of steel rails should be fixed at so much a ton, and he is naturally careful to fix a price which will insure a satisfactory profit to the Steel Trust. Many of the independent operators could generally undersell this price. Why don't they do it? Merely because they know that the railroads are controlled by the same group of men that control the Steel Trust. Each independent operator knows, and records bear this out, that if he sells steel rails at a price lower than Mr. Gary has suggested, he may find difficulty in making deliveries. The railroads will not provide cars enough, or if they do provide them they will take an unconscionable time in reaching their destination. The independent who does not accede to Mr. Gary's suggestion will find himself unable to carry on his business in a prompt or profitable manner.

I do not advocate government ownership of the railroads because I believe that the government will be able to operate them more economically and safely, although I think this may be the case. It is because combination between railroads and industrial trusts gives to a small, immensely powerful and not over-scrupulous group of financiers a tremendous power over the welfare of the American people.

Trust magnates all over the country assure us that the present enormous concentration of capital and industry is necessary and inevitable. Recently a distinguished captain of industry announced

that the future held in store for American trusts that which would not only be bigger but better. I believe they could be better, but I believe they will never be bigger. Great size has never proved economical or efficient, and moreover it seems to confer public obligations upon industrial combinations which their directors are not prepared to meet.

The obligations of small and large industrial companies are essentially different. A small competitive company doing an insignificant part in the work of production or distribution may, without serious injury to society, act upon the theory that its first obligation is towards its owners or stockholders. But when an enormous monopoly with a capital of a thousand million of dollars, employing a quarter of a million human beings, on whom at least half a million more are dependent, and producing or distributing the larger part of a nation's supply of a necessity of civilization, proceeds blandly on the theory that its first duty is towards its stockholders and that its employees and the public are simply units in a great scheme of exploitation and financial aggrandizement, we have a dangerous force with which we must reckon. Such a trust, in its relation to the consumer and to its own employees irresistibly reminds one of the fable of the elephant who carelessly dancing around among the terrified inhabitants of the chicken yard, exclaimed good naturedly, "Well, boys, this is a case of every man for himself."

Coöperation is recognized as a basic principle in the machinery of civilization. And in coöperation, especially among the people themselves, as it is now being so extensively adopted in England and Ireland, both as regards the production and distribution of necessaries of life, an enormous agency for reducing the cost of living will be developed in America in the near future. But competition is an equally important principle which must be zealously safe-guarded among our great industries, unless we are willing to see these industries moulded into the form of capitalistic socialism. The violent coöperation of trust monopoly, the crushing out of the rights of the individual, the forcible accumulation of wealth by a small group, the oppression of the weak and poor by the great corporations—this is not only wrong, but expensive, dangerous, and woefully shortsighted. It is an unnatural economic waste. It destroys the benefits of right and peaceful coöperation. It impoverishes the majority for the sake of the minority. It nourishes anarchy and distrust of American institu-

tions. And finally it drags society back toward feudalism, poverty or revolution.

It is perfectly true that there are some natural monopolies, such as railroads, telegraphs and telephones, electricity, gas plants, etc., but these must be taken over, owned and operated by the people. Some idea of the extent of the enormous and unnecessary tax with which this class of private monopoly saddles our communities may be gained from a comparison of the electric lighting and power rates in New York, Brooklyn, South Norwalk and Cleveland. New York is in the hands of the Edison Electric Company. Its rates are from 10 cents maximum to 5 cents minimum per kilowatt hour. Brooklyn also is in the grip of monopoly; its rates are from 11 cents maximum to 4 cents minimum. South Norwalk, whose plant is owned and operated by the people, 9 cents maximum to 3 cents minimum. The present rates in Cleveland under private operation are from 8 cents maximum to 3 cents minimum. But Cleveland is now installing a new municipal electric plant, and I have just received a telegram from a member of Cleveland's city administration in which he says "all rates will be based on a sliding scale from 3 cents maximum to 1 cent minimum per K.W."

Private monopoly is simply granting an exclusive privilege to a few to engage in industry which all should be free to enter, and a license to unjustly oppress others. The legalization and regulation of private monopoly in the production of necessaries of life are a contradiction in terms. Private monopoly is no more a fit subject for legalization or regulation than slavery was. Abolition is the only right or logical remedy for either.

At present, however, in the industrial world, both in relation to the general consumer and the wage-earner, the outlook is promising. Under the hopeful analysis of modern thought we are realizing not only our shortcomings but the desirability and possibility of overcoming them. More and more the object of civilization of the hour seems to be narrowing itself down to a simple effort to see to it that men, women and children shall have enough food, clothing and shelter. Give them these and more than half the battle for happiness and good citizenship is won.

I believe that America, and for that matter the whole world, is at last embarking upon a conscious struggle against that greatest of foes of humanity—poverty. When on April 29, 1909, David Lloyd

George introduced his famous budget in the House of Commons he turned to the Speaker and said:

> This is a war budget. It is for raising money to wage implacable warfare against poverty. I cannot help hoping and believing that before this generation has passed away we shall have advanced a great step toward that happy time when poverty, and the wretchedness and human degradation which always follow in its camp, will be as remote to the people of this country as the wolves which once infested its forests.

In this spirit we are attacking the problems of our generation. In this spirit we are entering upon a national campaign toward a more equal and just opportunity to enjoy the things of this world.

Half a century ago, Walt Whitman wrote:

> America has set forth on the most tremendous task ever conceived by man; a task indeed beyond the scope of any man's thought. Urged on by the inner-destiny forces of the race, she is attempting to realize the race ideal of a true democracy.
>
> To accomplish her end she must be nerved and vitalized by the highest and deepest of ideals; for hers is a world battle with all the relentless foes of progress.

At the time Walt Whitman wrote these lines America was fresh from her mightiest struggle until then—the civil war. But Whitman foresaw that not even the civil war was long to remain America's most portentous passage at arms between the new and the old forces of society. He saw in the future, what we now see in the present, a conflict more vital and pregnant with results of welfare to our people than anything recorded in our history. This is the struggle of today—the economic conflict between the few who are rich, strong and organized, and the many who are poor, weak and unorganized. Only in the successful outcome of this momentous war—in the equitable adjustment of intolerable economic conditions—thoughtful men and women see the triumph of American democracy.